Nova Scotia Department of Finance
Accountability Report
2008-2009

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1.0 Accountability Statement

The Accountability Report of the Department of Finance for the year ended March 31, 2009 is prepared pursuant to the *Provincial Finance Act* and government policies and guidelines. These authorities require the reporting of outcomes against Department of Finance business plan information for the fiscal year 2008-2009. The reporting of Department of Finance outcomes necessarily includes estimates, judgments and opinions by Department of Finance management.

We acknowledge that this Accountability Report is the responsibility of Department of Finance management. Management attests that the report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in Department of Finance Business Plan under the previous government.

The Honourable Graham Steele
Minister of Finance

Vicki Harnish
Deputy Minister of Finance

2.0. Introduction

The Department plays a key role in assisting government to realize its vision by working to implement a sustainable fiscal plan for the province.

The duties of the Department of Finance, as set out in the Public Service Act are as follows:
(a) examine, advise upon and compile the annual estimates of revenue and expenditures;
(b) inquire into, examine and advise upon expenditures, commitments and prospective expenditures and revenues;
(c) in the Minister's discretion, investigate any matter relating to the receipt and disbursement of public money;
(d) make recommendations generally with a view to promoting economy in the public service; and,
(e) act upon such matters as may be referred to the Minister by the Executive Council.

2.1 Vision

A financially strong province based on sustainable economic development to the benefit of all Nova Scotians.

Mission (as contained in the Department of Finance Business Plan 2008-2009)

To support a sustainable economy and sound fiscal framework that targets debt reduction, budget surpluses and financial accountability through the provision of responsible fiscal management; development of strong tax and revenue policies and economic growth incentives; financial reporting; and corporate support services.

2.2 Core Business Areas

Fiscal and Economic Policy

This Branch provides fiscal and economic analysis, policy development and strategic advice by:

- providing economic, tax and fiscal decision support for the Minister, Cabinet and provincial departments and agencies;
- maintaining an equitable, efficient and effective tax regime that supports public services and sustains economic growth;
- providing timely economic and revenue forecasts for government budgets, financial reporting and long term planning; and,

- advancing Nova Scotia's interests on the major federal-provincial fiscal arrangements, including Equalization, Canada Health Transfers and Canada Social Transfer.

Policy and Planning

This Branch works in cooperation with Treasury Board senior management to coordinate the development of the provincial budget and medium-term fiscal plan, and supports intra and interdepartmental policy collaboration. Specific responsibilities include:

- developing and maintaining of provincial fiscal and debt reduction plans;
- coordinating the development of a provincial budget;
- preparing regular forecast updates;
- developing Business Plans, Accountability Reports and other planning documents for the department;
- providing policy analysis and advice to the Minister's Office and executive management on the department's corporate policy responsibilities; interdepartmental policy initiatives; and departmental organization, operations and policy;
- overseeing the department's information management initiatives;
- managing the department's Healthy Workplace Program (HWP); and,
- managing other corporate projects.

Financial Institutions

Financial Institutions promotes and enhances consumer confidence and public trust in the credit unions, insurance and trust and loan sectors through:

- regulating market conduct;
- financial monitoring to protect consumers pertaining to these sectors; and,
- administering and collecting premiums and other taxes levied in the insurance sector.

Liability Management and Treasury Services

Liability Management & Treasury Services manages the treasury function for the Consolidated Fund, the debt portfolio and the borrowing program, and provides advisory and financing services to governmental units, through:

- actively managing the province's debt portfolio and borrowing program in a prudent and efficient manner, with the goal of minimizing cost of debt over the long term and within the context of changing market conditions, minimizing risk, and ensuring continuous access to the markets;
- managing the Consolidated Fund's operational cash flow, including managing daily banking functions, bank transfers, banking relationships, short-term investing and borrowing, and short-term investments of special funds;

- providing cash management services, including loans and investments of Crown corporations, payment and transfer services and electronic banking arrangements;
- providing all post trade settlement and accounting functions for the Province's debt portfolio and investment activities, miscellaneous trust funds and bank reconciliations, including timely payment of interest and principal on debt issues, timely receipt of investment income and debt proceeds, and accurate forecasting of Provincial Debt Servicing Cost and Investment Income;
- managing relationships with external rating agencies, investors, and broker-dealers to ensure broad understanding of the province's "credit profile", low cost and continuous access to debt markets over time;
- advising the Minister and the Debt Management Committee on current best practices, changing market environment and risk parameters of the debt portfolio, so as to help them make informed decisions on changes in legislation, policies and procedures; and,
- ensuring that the investment and debt management activities are compliant with legislation, policies and procedures. Compliance programs, based on best practices, are in place to adequately monitor and report ongoing investment and debt activities to management and governance committees.

Central Agency Services

The Department of Finance provides a core set of services that support the management of the province's programs and public resources in addition to supporting the core business functions of the department. These services include:

- providing ongoing support for the SAP systems within provincial departments and agencies, school boards, regional housing authorities and six municipalities;
- developing and maintaining a statistical infrastructure consisting of a wide range of census, taxation and administrative data sets that supports evidence-based decision making and program planning, including the Nova Scotia Community Development policy and other government-wide initiatives;
- providing professional accounting advice to all entities within the government reporting entity, working closely with the Office of the Auditor General to ensure financial reporting requirements are met, commenting on new standards being proposed by PSAB, and conducting presentations on financial reporting matters to ensure the government's financial community is aware of changes in accounting and/ or reporting requirements;
- providing central payroll services for all government employees, including pensioners serviced by the Nova Scotia Pension Agency and employees of Nova Scotia Regional School Boards;
- preparing of the annual public accounts consisting of the province's consolidated financial statements, supplement book and a compilation of controlled entities' financial statements; and,

- managing of payment production over a complex network of interfaces, accounting policies and procedures, and the corporate credit card program.

The Department also hosts the Finance Corporate Services Unit (CSU) that supplies financial services to the departments of Finance; Economic and Rural Development; and Tourism, Culture and Heritage, as well as several public service appropriations. Human Resources are provided through the Transportation and Public Works CSU and Information Technology infrastructure resources are hosted by the CIO Branch of Treasury Policy Board with the IT Business and Application resources hosted in the CSU at the Department of Natural Resources. Communications staff are assigned to the department by Communications Nova Scotia, and legal expertise is provided through the Department of Justice.

Advisory Services: Crown Agencies and Corporations

This part of the Department is responsible for providing strategic policy advice on Crown agencies and corporations reporting to the Minister of Finance. It also provides a point of contact and communication between these agencies and government. Agencies under the purview of the Minister of Finance are: NS Securities Commission; NS Utility and Review Board; Halifax-Dartmouth Bridge Commission; NS Gaming Corporation; NS Pension Agency; Credit Union Deposit Insurance Corporation; and the NS Liquor Corporation.

Internal Audit

The Internal Audit Centre supports the Deputy Ministers' Audit Committee and their responsibility for the oversight of provincial departments and the related systems of internal control. The Internal Audit Centre provides an independent and objective appraisal of provincial activities. As a result, Internal Audit can add value to operations, streamline costs and/or prevent losses.

3.0 Department Progress and Accomplishments

3.1 Strategic Goals - 2008-2009

The Department of Finance Business Plan for 2008-2009 included the following Strategic Goals for the Department:

1. Produce a sound fiscal plan and high-level transparency and accountability in government fiscal planning and reporting;

2. Strengthen the Department's central agency role by enhancing the corporate focus of its operations and long-term strategic planning;

3. Maximize the efficiency and effectiveness of central client services; and,

4. Continued investment in our people and workplace culture.

3.2 Progress against 2008-2009 Goals and Action Items

This section will provide an overview of Departmental progress and achievements related to its Strategic Goals.

Strategic Goal 1: Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.

The core business of the Department of Finance from a corporate perspective is fiscal planning, which includes budgeting and forecasting, preparation of public accounts and negotiations with the federal government on intergovernmental fiscal matters. Through this role, the department's activities support government in its capacity to deliver on expenditure priorities and commitments.

Priority 1: Support the development and implementation of a balanced budget with an adequate surplus to meet the Provincial Debt Reduction commitment.

Action Items:

In cooperation with Treasury and Policy Board (TPB), advise government on strategies to develop and implement a balanced budget to ensure efficient and effective use of government resources.

- Pursuant to the *Provincial Finance Act,* the Department supported Government in developing and tabling a budget on April 29, 2008, with a sufficient surplus to meet debt reduction targets. To complete this, the Department worked closely with TPB to liaise with government departments to develop timely and accurate budget and forecast information. The Department also provided Budget forecast updates on August 25, 2008 and December 19, 2008. In addition, the Department also ensured that that the Office of the Auditor General was provided with full access to all relevant information for review of 2008-2009 revenue estimates.

Continue fiscal policy research and revenue forecasting by working closely with service delivery partners like the Canada Revenue Agency and Service Nova Scotia Municipal Relations.

- In 2008-2009, the Department's fiscal policy research capacity was enhanced with addition of a Social Policy Simulation Database/Model (SPSD/M) to simulate changes to the current situation and assess the distribution of taxes. The model uses data collected by Statistics Canada from major surveys such as the survey of Household Spending (SHS) and Survey of Labour and Income Dynamics (SLID). The SPSD/M is particularly well-suited to assessing the immediate or short-term impact of tax policy changes.

- Ongoing review of forecasting models and source data was carried out and relationships with service delivery partners were strengthened through formalized and more frequent dialogue, including additional exchanges of data.

Maximize administrative efficiency of Nova Scotia's tax credit programs.

- The Department's launch of the new taxation website provides better information and accessibility to individuals and businesses about Nova Scotia tax credits. Incremental improvements are updated to tax credit guidelines and the Department continues its effort in exploring options for consolidating tax administrative processes with other provincial tax service providers.

Continue to negotiate with the federal government on all fiscal inter-jurisdictional matters; present and support the province's position on federal transfers.

- There was continued focus on analyzing the impact on the Province from changes to federal transfers, ensuring the interests of the Province were protected, and that Ministers were aware and prepared to respond to the issues and implications for both current and long-term revenues. Following changes to the Equalization program announced in November 2008, the Department was successful in convincing the federal government that the Province's transitional protection should be increased by $74 million for the upcoming fiscal year. Work with the federal government on regulations to give effect to a Cumulative Best-of Guarantee arrangement agreed to in October 2007 was concluded and the regulations were passed in December 2008. The Department, in conjunction with the Department of Energy, continued to work with the federal government in drafting regulations to calculate an annual Crown Share Adjustment Payment to the Province.

Priority 2: Maximize the timeliness, reliability and clarity of the government's financial documents and financial public records.

Action Items:

Deliver Public Accounts with unqualified audit report before August 30, 2008.

- The *Provincial Finance Act* requires the release of Public Accounts by September 30 each year. As a result of a pervasive schedule overhaul, the 2006-2007 Public Accounts were released on August 7, 2007. This was the earliest ever release date for the province and was the earliest release date for all Atlantic provinces that year. The 2007-2008 Public Accounts were released on August 5, 2008. The acceleration in the release schedule was driven by significant efforts and scheduling by Government Accounting staff to improve the timeliness of these documents. It required the cooperation of members of the government reporting entity and auditors. Providing Nova Scotians with timely, reliable financial information about the Province remains a priority of the Department.

Continue the financial document review to improve the usefulness of the documents produced by the department while maintaining compliance with Generally Accepted Accounting Principles (GAAP) for the public sector.

- The Financial Document Review undertook the following activities in 2008-2009: reorganized the Assumptions & Schedules document to increase the usefulness

of the document (e.g. creating a section specifically for the Report of the Auditor General on Revenue); provided recommendations on other elements of the Estimates and Public Accounts including ongoing review of Volume 1 of the Public Accounts (while adhering to GAAP standards); and analyzed other issues related to budgeting and reporting.

Participate in internal controls documentation pilot project being led by Senior Finance Executive Forum group. The SFEF is an interdepartmental group led by the Controller and comprised of senior finance officials from all line departments, TPB and Finance.

- Internal Controls Over Financial Reporting (ICFR) is a process designed to provide reasonable assurance that the Province's financial reporting is reliable. The Department is in the planning process for documenting and testing the system of ICFR. The purpose of this initiative is to ensure that this system of internal control is effective and tested on an annual basis. It encompasses all major financial reports across government and ensures that they provide complete and accurate statements of provincial rights and obligations; correct valuation and presentations; and are compliant with applicable laws and regulations. The ongoing implementation of this project will ensure that the Government and Nova Scotians have access to reliable financial information to support decision making.

Strategic Goal 2: Strengthen the department's central agency and corporate leadership by enhancing the corporate focus of operational responsibilities and long-term strategic planning.

As a central agency of government, the Department develops and promotes the use of consistent corporate financial policies across government, and works with departments and agencies to ensure a sustainable long-term fiscal plan.

Priority 3: Continue to help build a strong and sustainable fiscal and economic climate which will attract and retain investment essential for the long term growth of the province.

Action Items:

Launch a comprehensive corporate and personal tax review with the goal of creating a more competitive tax environment in Nova Scotia that is fiscally sustainable.

- The Department launched a comprehensive tax policy review project as announced in the 2008-2009 Budget. Progress included the development of a tax

policy vision and goals to support and enable a competitive tax environment; a framework to assess goals and outcomes; a tax policy macroeconomic model; best practice research; analysis of current situation and comparison with other jurisdictions; extensive consultation and briefings; and launch of a public website.

Collaborate with stakeholder departments in developing plans and strategies to address federal support for long-term investments related to such key areas as infrastructure, post-secondary education, offshore development, sustainable communities and the environment.

- The Department monitored and provided information on levels of federal funding available (e.g., trusts, base funding, one-time allocations such as carbon capture & storage, etc.) and the guiding principles for their use. Officials also ensured that any concerns about funding were carried forward by the Minister of Finance and the Premier to become part of the dialogue between Finance Ministers on several occasions in the past year, such as the leadership role undertaken by the Minister of Finance to secure federal support for implementation of the Health Infoway. The Department also participated in a number of key policy initiatives designed to advance the Government's policy and program priorities on issues that affect not only Nova Scotians but all Canadians including pensions, employment insurance, infrastructure spending and federal transfers.

In collaboration with stakeholder departments, evaluate the economic impacts and returns from strategic investments under consideration by the province.

- The Department provided support to government decision making regarding infrastructure stimulus investments in 2008-2009 and identified the potential economic impact of various investment scenarios.

Priority 4: Facilitate strong strategic planning and delivery of policy and planning support to other government entities.

Action Items:

Continue to provide leadership, analytical and administrative support to "The Future in Focus" initiative.

- Nova Scotia's Assistant Deputy Ministers have been leading a long-term planning initiative – The Future in Focus. Activities include sharing common population projections throughout government; hosting an inter-departmental forum that meets monthly to discuss issues and impacts; and modeling to assess the impact of demographics projections on program planning and the fiscal plan.

The Department supports this project by housing the Senior Project Manager, who works closely with the ADM's office and the Fiscal and Economic Policy Branch. This type of analysis brings important information to bear in fiscal planning and decision making.

Increase the awareness and, where appropriate, use of the department's treasury services by government entities.

- Treasury Services is the central area within the Province of Nova Scotia that collects department cash flow and banking information. Daily bank activity, both inflows and outflows, are reviewed on a daily basis to determine daily cash positions. If there are excess funds, they are invested. If the daily position is short, funds are borrowed. It is important that this information is timely and accurate.

  In 2008-2009, the Department of Finance prepared a Cash Management Policy to safeguard the management of Consolidated Fund cash balances and ensure accurate and timely receipt of information affecting the Province of Nova Scotia Consolidated Fund cash flows. As well, a Banking Service Policy was also been developed to facilitate centralized control of all bank account, banking services, and negotiations of banking contracts associated with the Province of Nova Scotia Consolidated Fund, as defined in the Provincial Finance Act. These policies now provide guidance to departments through Management Manual 200 and will help ensure the Department is able to fulfill its mandate with regards to cash management and banking.

  The Department also took steps to strengthen the Province's technical expertise and strategic planning through the establishment and recruitment of a new Executive Director of Liability Management and Treasury Services.

Provide effective governance, oversight and accountability to crown agencies and corporations under the purview of the Minister of Finance through active communication with agencies/corporations and policy advice to Government. This includes: maintaining expertise in relevant regulatory areas; monitoring emerging issues/risks; and coordination/implementation of decisions.

- The Department continued to provide advice during 2008-2009 on matters involving Crown agencies and corporations for which the Minister of Finance is responsible. The Department worked closely with Crown agencies to implement several important initiatives. These included mandatory automobile insurance rate filing regulations, the transfer of responsibilities of the Insurance Review Board to the Utility and Review Board and continuing inter-provincial work to harmonize securities laws and regulations. The Department continues to support

effective governance and accountability of Crown agencies through the review of budget and business plan submissions and monitoring of quarterly and annual financial and other performance reports.

Develop and implement Mandatory Filing for the auto insurance industry. Mandatory filing will help ensure that auto insurance rates are just and reasonable for all Nova Scotians.

- The Department supported the Government to implement mandatory filing for the auto insurance industry in 2008-2009. All companies have filed as per the predetermined schedule. Rates have remained stable and complaints to the Office of the Superintendent remain low. The Department will monitor the filings approved by the Utility and Review Board as well as changes in both the industry and other jurisdictions to ensure our system reflects the current marketplace, and is, as much as possible, consistent with other regulators in the region. Periodic reviews will enhance rate stability by reducing the risk of large, infrequent changes in automobile insurance rates.

Strategic Goal 3: Maximize the efficiency and effectiveness of central client services.

The Department of Finance supports and provides business services that enable the whole of government and external clients–e.g., School Boards–to deliver on policy and program responsibilities. The focus for 2008-2009 was towards improving the overall service delivery orientation of the department.

Priority # 5: Assess the risk to client services and develop strategies that address business quality and continuity of department's operations.

Action Items

Implement Business Continuity Management policies and document operating procedures for Level 3 mission critical functions. Level 3 Mission Critical functions are functions that must be completed in 4-7 days.

- A departmental Business Continuity Plan (BCP) project was initiated in 2006 in response to a government-wide initiative from the Emergency Management Office. Thus far, the Department has focused on Level 2 business functions that have a time sensitivity of 3 or less days. Operational plans are being developed and tested for those within the 0 - 3 day time sensitivity (approximately 75+per cent complete) and Crisis Management plans for senior management are being developed. The Department will continue to work towards having BCP policies for Level 3 Critical Functions that have a time sensitivity of 4-7 days.

Implement process improvements in accountability and reporting operations, including procedural documentation and automation of Trust Fund accounting.

- Detailed procedures were developed for the management and monthly reporting of the Miscellaneous Trust Funds, including the promissory note process for the MT57 Nominee Program. This has resulted in automated monthly trust fund statements, including include year-to-date totals. These steps, as well as monthly reconciliation procedures, have been documented and staff have been trained. These developments enhance stewardship and accountability as well as consistency in reporting the Trust Fund activity.

Complete final phase in migration of cheque production from Department of Community services and complete Service Level Agreement.

- This final phase in the migration of cheque production from DCS was completed. The Service Level Agreement will be finalized following the completion of Finance's Business Continuity Plan.

Priority #6: Invest in central client services infrastructure to improve the relevance and quality of services delivered.

Action Items:

Administer client satisfaction surveys within Community Counts and CIS.

- As part of the continuing development of the Community Counts website, a web survey was conducted between September 2007 and April 2008. The main findings confirmed that Community Counts is being used for its intended purposes. Half of the respondents reported using the site to support community development activities, and over one-third report using the site to help develop or influence public policy. In addition, users gave the website strong ratings for functionality.

- The CIS Division instituted a client survey process in 2008-2009. The results will be analyzed to provide input into decision-making.

Further expand capacity and capabilities of CIS to support new initiatives within District Health Authorities.

- Throughout 2008-2009, the CIS Division worked collaboratively with Health and the District Health Authorities/IWK to develop and implement a support framework for the Health Administrative Systems Project (HASP). This

framework was approved and will be implemented as part of the initial go-live on May 1, 2009.

Begin a multi-year effort to upgrade SAP systems to address vendor support issues as well as identified business needs of current clients.

- The upgrade of various public sector SAP systems continued in 2008/2009 as part of the TCA program for the CIS Division. The SAP system for Halifax Water was successfully upgraded in December 2008, and the upgrade of the Provincial SAP system was underway in early 2009, with a go-live anticipated for July, 2009.

Strategic Goal 4: Continued investment in our people and workplace culture
Promotion of a positive workplace culture, recruitment and retention of staff remain priorities of the department to ensure a sustainable, highly skilled workforce.

Priority 7: Promote the Department of Finance as a good employer through implementation of a workforce enhancement strategy.

Action Items:

Work towards obtaining National Quality Institution Level 2 Healthy Workplace award.

- Progress continues towards obtaining National Quality Institution Level 2. The Healthy Workplace (HWP) Strategic Plan has been reviewed by the Coordinator of the Corporate HWP program and updated by the HWP committee members. The HWP Committee continues to gather relevant documentation such as policies and needs assessment documents as required by NQI for certification process. Additional HWP Committee members have attended training on the NQI certification process.

Complete the development and begin implementation of a comprehensive HR strategy, beginning with the Foundation Development Plan.

- Instead of pursuing the development of a Foundation Development Plan, the Department has committed to ensuring that, as part of the Performance Appraisal process, all staff identify career development needs in a career development plan. The Department will support career planning and skills development by providing support to staff training and professional development opportunities geared to meet identified needs. The Department will also be implementing a re-invigorated Orientation process for staff in 2009-2010.

Augment the creation of a culture which supports and shapes a diverse and healthy work environment, through department-wide participation in diversity training and a healthy workplace program.

- Through high department participation in corporate events, the Department has won three major contests sponsored by the PSC, including a session for all staff on "Desserts for Breakfast". The Department had the most submissions of HWP success stories to the PSC HWP calendar contest, of which three were featured in the 2009-2010 PSC Corporate Calendar. Finally, the Department had the most submissions in the PSC HWP Contest asking for suggestions to increase HWP Culture and has won a staff development workshop. The Department has become a leader in staff engagement in creating a healthy workplace.

Address recommendations of the "How's Work Going" survey and create a staff advisory committee to provide regular feedback and recommendations to Senior Management and Deputy Minister on workplace environment and culture.

- Three key areas that were identified in "How's Work Going 2007" survey have received increased emphasis within the department: HR practices and specifically the hiring process; employee appreciation and recognition; and leadership. To address these issues, a number of initiatives have been undertaken, including a formal staff recognition event hosted by the Minister, Deputy Minister and senior staff; extensive leadership development training for middle management and better communication with staff on hiring processes.

Priority 8: Support corporate HR initiatives to ensure continued professional development of staff. This will help to retain and develop a skilled workforce to deliver on the department's priorities and corporate responsibilities.

Action Items:

Completion and submission of performance appraisals for all staff on an annual basis.

- The Department continues to place a high priority on ensuring that all staff have annual performance appraisals that include career development objectives.

Support the respectful workplace policy through department-wide participation in training and other initiatives.

- The majority of staff had attended training on the new Respectful Workplace policy by the time it came into effect on October 1, 2008. In addition, the Department sponsored two staff to become trainers of this program.

Promote a safe working environment through the existing OH&S committee and department-wide participation in OH&S training.

- OH&S awareness has increased with new members, representing most divisions, joining the committee. The Department sponsored numerous OH&S training sessions to ensure staff were able to attend. At present approximately 80 per cent of staff have attended Intro to OH&S and 60 per cent of Managers have attended OH&S for Managers. In addition, members of the committee continue to update their knowledge level by attending specialized training on OH&S legislation & requirements, including the annual NS Safety Council Conference.

4.0 Financial results

	2008-2009 Estimate ($ thousands)	2008-2009 Actual ($ thousands)	Variance ($ thousands)
Program & Service Area:			
Senior Management (note 1)	4,498	3,036	(1,462)
Office of the Assistant Deputy Minister	5,035	5,267	232
Corporate Services Unit	1,441	1,342	(99)
Controller (note 2)	18,897	17,440	(1,457)
Total Program Expenses (note 3)	29,871	27,085	(2,786)
Fees and Other Charges	675	681	3
Ordinary Recoveries (note 4)	3,336	2,898	(438)
TCA Cash Flow (note 5)	1,665	1,863	198
Funded Staff - Net FTEs	201	170	31

Notes: Significant Variance Explanations; 2008-2009 Estimate to 2008-2009 Actual

1. Divisional expenses were $800 thousand less than budget due to the transfer of the NS Insurance Review Board (NSIRB) to the Utility & Review Board in October, 2008. Salary savings from vacancy management and operational savings were $650 thousand.

2. Divisional expenses were $1.5 million under budget resulting from salary savings due to vacancy management and operational savings.

3. Overall, departmental expenses were $2.8 million under budget. Salary costs were $2.7 million less than budget; operating expenses for NSIRB were $.8 million less than budget and amortization expense was $0.3 million lower than budget due to delays in implementation of an information technology project. These savings were offset by $1.0 million in expenses related to a change in accounting presentation due to gross reporting.

4. Ordinary recoveries were $800 thousand less than budget due to the transfer of NSIRB (see note 1) offset by additional recoveries from external agencies and municipalities for SAP support.

5. During the year the Department received approval to proceed with additional hardware acquisitions as part of the ongoing SAP infrastructure upgrade program.

5.0 Measuring Our Performance

The supporting data presented below reflect the measures included in the 2008-2009 Business Plan and the most recent information available.

Strategic Goal #1:	**Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.**
Core Business:	Policy and Planning
Measure:	Effective management of the province's financial operating resources as measured by surplus budgets, as required by the *Provincial Finance Act.*
Outcome:	Effective management of the province's financial operating resources

What does the measure tell us?

This measure identifies whether or not the province has met its legislative requirement to produce a balanced budget. The balanced budget requirement also entails producing a surplus large enough to meet the Offshore Offset provision of the *Provincial Finance Act* as identified in section 76A(1) of the Act. This provision ensures that revenue received as a result of the Offshore Offset agreement with the Federal government goes to debt reduction, as was the commitment of government under the 2005 Debt Reduction Plan. The surplus reduces the net direct debt of the province. The revenue recognized as a result of the agreement was $105.884 million for 2008-2009.

Where are we now?

The balanced budget and offshore offset requirements of the *Provincial Finance Act* were met for the 2008-2009 Budget. The 2008-2009 Budget estimated a surplus of $189.7 million. The revenue recognized in relation to the offshore offset agreement was estimated to be $105.884 million. Government policy revisions in March 2009 meant that the 2008-2009 actual surplus was less than required in the *Provincial Finance Act.*

Where do we want to go?

The government is reviewing and establishing long term priorities for this area that will be confirmed in the 2009-2010 Accountability Report.

Strategic Goal #1: **Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.**
Core Business: Policy and Planning
Measure: Net Direct Debt Reduction
Outcome: Effective management of the province's financial operating resources

What does the measure tell us?
This measure identifies whether or not the province has met its policy requirements to reduce the Net Direct Debt.

Where are we now?
In 2007-2008, the Net Direct Debt was $12.115 billion, down from $12.357 billion in 2006-2007. For 2008-2009, the final Net Direct Debt was $12.323 billion.

Where do we want to go?
The government is reviewing and establishing long term priorities for this area that will be confirmed in the 2009-2010 Accountability Report.

Strategic Goal #1: **Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.**
Core Business: Policy and Planning
Measure: Provincial government debt as a percentage of GDP
Outcome: Effective management of the province's financial operating resources

What does the measure tell us?
Net direct debt as a percentage of GDP is an indicator of the fiscal sustainability and flexibility of the province. The higher the ratio, the greater the debt burden on the residents of Nova Scotia. A declining ratio indicates that the Net Direct Debt of the Provinces is declining relative to the size of the overall provincial economy.

Note: The Nominal Gross Domestic Product used in this measure is revised annually for the current year and up to four previous years. This results in some fluctuation in the ratio due to restatements in the GDP numbers by Statistics Canada.

Where are we now?
As at March 31, 2008 the Net Direct Debt to GDP ratio stood at 36.7 per cent. This represents a decrease from the ratio of 38.9 per cent as at March 31, 2007. The 2008-2009 Budget estimated a ratio of 34.9 per cent. The 2008-2009 ratio was 35.4 per cent.

Where do we want to go?
The government is reviewing and establishing long term priorities for this area that will be confirmed in the 2009-2010 Accountability Report.

Strategic Goal #1: Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.
Core Business: Treasury Management
Measure: Credit Spread relative to Ontario
Outcome: Efficient and prudent management of the government's financial assets and liabilities

What does the measure tell us?
The relative cost of borrowing for the government of Nova Scotia as compared to the government of Ontario's cost of borrowing. This reflects the risk the markets associate with the bonds issued by both to finance the respective provincial debts.

Where are we now?
In 2007-2008 the credit spread relative to Ontario was +3.0 basis points. This was up slightly from the 2006-2007 spread of 0.2 basis points, but is very close to on par (100 basis points = 1 per cent). In 2008-2009, Nova Scotia's relative credit spread to Ontario increased to 12 bps as a result of turmoil in the financial markets.

Where do we want to go?
Over the short term, it is difficult to identify a realistic goal relative to Ontario's credit spread, given current uncertainty in financial markets. Over the medium to long term, the Government's goal remains to achieve a cost of funds similar to Ontario.

Strategic Goal #1: **Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.**
Core Business: Treasury Management
Measure: Percentage of foreign debt in debt portfolio
Outcome: Efficient and prudent management of the government's financial assets and liabilities

What does the measure tell us?
This measure indicates the level of foreign currency exposure and the inherent risk to net debt servicing costs where changes occur in the value of the Canadian dollar relative to the US dollar.

Where are we now?
Foreign currency exposure was 0.0 per cent of the debt portfolio as at March 31, 2009. This represents a decline from March 31, 2007 when 10.2 per cent of the province's debt portfolio was denominated in foreign currencies.

Where do we want to go?
Section 52A of the *Provincial Finance Act* requires the province to reduce foreign currency exposure to 20 per cent or less and to refinance all maturities with a term greater than one year in Canadian dollars. This was achieved on a synthetic basis and the Province has no liabilities outside of Canadian Dollar liabilities. The Department of Finance achieved the legislated maximum 20 per cent foreign currency exposure target, and reduced its foreign currency exposure to zero. Exposure is expected to remain near zero in the short to medium term.

Strategic Goal #1: Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.
Core Business: Treasury Management
Measure: Credit ratings by major rating agencies
Outcome: Efficient and prudent management of the government's financial assets and liabilities

What does the measure tell us?
A credit rating is an independent evaluation of a borrower's ability and willingness to pay interest and to repay principal. Rating firms provide investors with these measures of the credit quality of bonds of other financial instruments. A credit rating indirectly affects the borrower's debt servicing costs and the investor's expected rate of return since an investor will demand a higher return on a more risky, lower rated security.

Where are we now?
Good credit ratings help us get better access to long-term debt funding at more attractive rates, which ultimately reduce the cost of our borrowing program. Nova Scotia's credit rating has risen considerably over the past 5 years, but remains low compared to other provinces.

- Nova Scotia's current ratings are:
  - Moody's Investor Services: **Aa2, stable outlook**
  - Standard & Poors' Ratings Services: **A+, positive outlook**
  - Dominion Bond Rating Service (DBRS): **A, positive outlook**
- All rating agencies have cited the Province's commitment to fiscal prudence and sound debt management practices. However, they also note the spending challenges facing the Province, particularly with respect to rising health care costs in all provinces, and Nova Scotia's continued comparatively high debt load.

Where do we want to go?
- The Province of Nova Scotia's credit rating had favourable momentum with two positive outlooks (Dominion Bond Rating Service and Standard & Poor's) and a high rating by Moody's. The positive outlook means that Nova Scotia would soon be considered for an upgrade. However, the recession and its effect on the current credit environment mean that rating agencies will almost certainly not upgrade any province.

Strategic Goal # 1: Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.
Core Business: Central Agency Services
Measure: Timeliness of Public Accounts
Outcome: Open and transparent reporting

What does the measure tell us?
Whether or not the department is achieving the legislative requirement to release the Public Accounts by September 30th

Where are we now?
We continue to achieve this measure:

- Public Accounts Volumes 1 and 2 for 2007-08 were released on August 5, 2008.
- Public Accounts Volume 3 (the Supplement) for 2007-08 was released on September 29, 2008.

Where do we want to go?
We would like to continue to exceed the legislated final date for reporting of September 30th.

Strategic Goal # 1: Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.

Core Business: Central Agency Services

Measure: Revised format for Public Accounts Volume 1 and 2 and Budget documents

Outcome: Clear and understandable financial reports

What does the measure tell us?

This measure indicates whether or not the department has implemented a revised format for Public Accounts and Budget documents.

Where are we now?

The Financial Document Review undertook the following activities in 2008-2009: reorganized the Assumptions & Schedules document to increase the usefulness of the document (e.g. creating a section specifically for the Report of the Auditor General on Revenue); provided recommendations on other elements of the Estimates and Public Accounts including ongoing review of Volume 1 of the Public Accounts (while adhering to GAAP standards); and analyzed other issues related to budgeting and reporting.

Where do we want to go?

The Department, along with Treasury Board, is committed to increasing the usefulness of the financial documents produced by Government in order to support Nova Scotians' understanding of the state of the Province's finances. The Department will continue to evaluate ways to increase the clarity of financial reports.

Strategic Goal #2: Strengthen the department's central agency and corporate leadership by enhancing the corporate focus of operational responsibilities and long-term strategic planning.

Core Business: Policy and Planning

Measure: Completion of Department of Finance's four-year plan under the corporate Better Regulations Initiative (BRI).

Outcome: Reduce Administrative burden for private sector business

What does the measure tell us?

The Better Regulation Index indicates the time burden placed on business in Nova Scotia to comply with the regulatory requirements in the area of Financial Institutions Administration.

Where are we now?

Based upon the index measurement criteria, the Department of Finance imposes a total time burden of 3372 hours on businesses in the area of Financial Institutions administration; which includes requirements for Credit Unions, Insurers and agents, and Trust and Loan companies.

Where do we want to go?

We want to meet our goal of a 20 per cent time reduction by 2010.

Strategic Goal # 2: Strengthen the department's central agency and corporate leadership by enhancing the corporate focus of operational responsibilities and long-term strategic planning.

Core Business: Fiscal and Economic Policy
Measure: Corporate Income and Capital Tax Rates
Outcome: Positive climate for investment and economic growth

What does the measure tell us?

Corporate income and capital tax rates measure the overall marginal taxes on Nova Scotia businesses. These rates are the most visible measure of the tax environment for businesses considering investment in Nova Scotia. This measure tells us the general tax rates applied to business income and to business capital investments. Comparing our tax rates with other jurisdictions is a key indicator of Nova Scotia's competitiveness.

Where are we now?

Business Tax Rates for 2008 Tax Year

	NS	NB	ON	AB	Federal
General income tax	16.0%	13.0%	14.0%[a]	10%	19.5%[c]
Small business income tax	5.0%	5.0%[d]	5.5%	3.0%[g]	11.0%
Large Corporations Tax (Non-financial capital tax)	0.2%[f]	0.1%[e]	0.225%[b]	0%	0%
Corporations Capital Tax (Financial capital tax)	4.0%	3.0%	0. 45-0.675%	0%	1.25%[h]

a - Ontario offers a 2% credit for manufacturing and processing profits, reducing the effective rates for these activities to 12%.
b- In the 2008 Budget, Ontario eliminated the capital tax for companies in manufacturing and resource industries, effective January 1 2008. The 2007 Budget accelerated the elimination of the Capital Tax for all industries to 0% by July 1, 2010; 18 months sooner than originally planned.
c - The federal government eliminated the corporate surtax of 1.12%, effective January 1, 2008. The Fall 2007 Economic Update announced the plan to reduce corporate income tax to 15% by 2012.
d - New Brunswick raised its small business rate from 1.5% to 5% in the 2007-08 Budget
e - New Brunswick's capital tax will be eliminated by 2009. NB is targeting 8% by 2012 on its general Corporate Income Tax rate.
f - Nova Scotia's Large Corporations Tax continues to be reduced annually towards phase-out by July 1, 2012.
g- Alberta's small business threshold increased to $460,000 in April 2008 and will rise to $500,000 in 2009.
h- The capital tax applies to taxable capital employed in Canada exceeding $1 billion.

Nova Scotia's business tax rates are generally higher than in other provinces. Taxes are an important factor in the province's overall competitive performance and the Province has taken steps to reduce the burden of taxes on the economy. However, the federal government levies the majority of the corporate tax burden in Canada.

Where do we want to go?

The phasing out of the Large Corporations Tax (LCT) by 2012 continues, as announced in the 2006-2007 Budget. In July 2008, this tax rate was reduced by another 0.025 per cent to 0.20 per cent. The reduction in the LCT rate will save Nova Scotia businesses an estimated $28 million in 2008.

The federal government has called upon the provinces to move toward a combined Federal-Provincial corporate income tax rate of 25 per cent (Federal – 15 per cent; Provincial – 10 per cent). The government's plan provides a prudent balance between business tax relief and the need for revenues to support public programs.

As part of the comprehensive tax review, the Department continued to review the province's business taxes to assess their long-term competitiveness, efficiency, sustainability and fairness.

The Department of Finance monitors and assesses the overall tax burden Nova Scotia corporate taxpayers and maintains a close working relationship with key stakeholders to ensure tax policy decisions are made with a full appreciation for the key trends and issues.

Strategic Goal # 2: Strengthen the department's central agency and corporate leadership by enhancing the corporate focus of operational responsibilities and long-term strategic planning.

Core Business: Fiscal and Economic Policy
Measure: Personal Income Tax Rates
Outcome: Positive climate for investment and economic growth

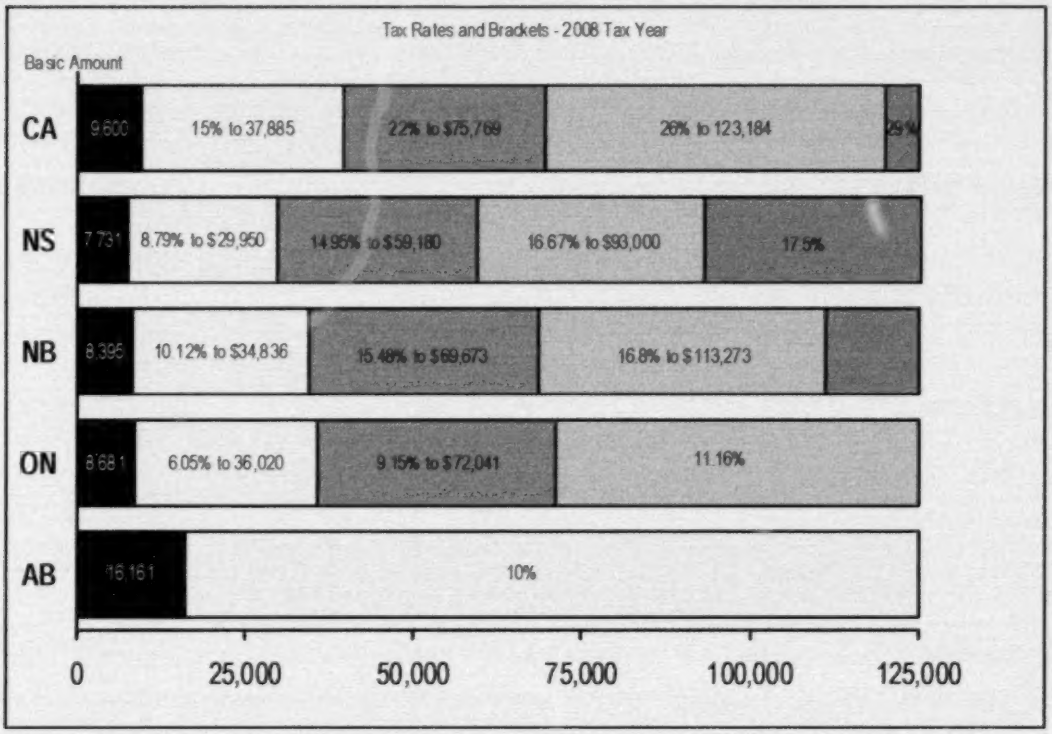
What does the measure tell us?

Personal income tax rates and brackets tell us how much provincial tax individuals in different income ranges would have to pay on their next dollar of taxable income. This measure allows for comparing the tax burden among provinces at different income levels. Personal income tax rates do not measure the overall level of tax burden because they ignore how much taxable income Nova Scotians actually earn and how it is distributed among them.

Where are we now?

Nova Scotia's personal tax rates are consistent with other provinces in Atlantic Canada, but higher than elsewhere in Canada. Nova Scotia and Ontario charge surtaxes on high-income earners. Nova Scotia's surtax is calculated at 10 per cent of the gross provincial taxes owing over $10,000. Ontario has two surtaxes of 20 per cent on taxes over $4,257 and 36 per cent over $5,370; these are cumulative for a total surtax rate of 56 per cent.

Nova Scotia's tax brackets are not indexed. Most other provinces have indexed tax brackets that grow every year to account for wage growth and inflation. For example, while New Brunswick's personal tax rates are higher than Nova Scotia's, its brackets actually mean that an individual with more than $29,590 in taxable income could pay more taxes in Nova Scotia, even though it's levied at lower rates. After an increase of $250 in 2008, the province's basic personal amount of $7,731 is still the lowest in the country. Most other provinces increase their basic amounts and tax brackets every year. In comparison, the Alberta tax system charges a 10 per cent flat tax on incomes above the 2008 basic amount of $16,161.



Where do we want to go?

The government has introduced a series of tax measures to reduce the tax burden on individuals. This tax relief is planned in a prudent way to ensure that the government can promote the province's competitiveness with an efficient tax system that meets social needs within the fiscal resources available.

For the 2008 tax year, the basic personal amount exempted from personal income taxes is $7,731, $250 more than in 2007. The basic personal amount will increase by $250 in 2009 as part of a four-year plan to increase the amount by $1,000. The province's other non-refundable credits, including the spousal amount, dependent amount, pension amount, disability amount, and caregiver amount are also growing proportionately (13.83 per cent) over the same period. Starting in 2011, the personal tax system will be indexed at a prescribed rate.

In 2008, the Graduate Tax Credit was doubled to $2,000 for graduates from eligible post-secondary programs after January 1, 2008. Ground search and rescue volunteers are eligible for a $375 refundable tax credit in 2008. The refundable tax credit for volunteer firefighters and ground search and rescue will rise to $500 in 2009.

The 2008 Budget announced a non-refundable transit tax credit, matching the Federal Transit Tax Credit that begins in 2009. The 2008 Budget also announced the extension of the Healthy Living Tax Credit for sport and recreational activity registration fees to all Nova Scotians – adults and children. The maximum expenditure per individual will be $500.

The Department will continue to monitor and assess the overall tax burden while examining the socioeconomic demographics of Nova Scotia tax payers and maintaining a close working relationship with key stakeholders to ensure tax policy decisions are made with a full appreciation for the key trends and issues.

Strategic Goal # 3: Maximize the efficiency and effectiveness of central client services.

Core Business: Central Agency Services
Measure: Complete business continuity plans for Level 3 (4-7 days) mission critical functions
Outcome: Enhanced risk management

What does the measure tell us?
This measure indicates the Department's level of preparedness to continue mission critical functions in times of emergency or systems failure.

Where are we now? – need update
A departmental Business Continuity Plan (BCP) project was initiated in 2006 in response to a government-wide initiative from the Emergency Management Office. Thus far, DOF has focused on those business functions that have a time sensitivity of 3 or less days. Operational plans are being developed and tested for those within the 0 - 3 day time sensitivity (approximately 75+ per cent complete) and Crisis Management plans for senior management are being developed.

Where do we want to go?
The Department will continue to work towards having BCP policies for Level 3 Critical Functions.

Strategic Goal # 3: Maximize the efficiency and effectiveness of central client services
Core Business: Policy and Planning
Measure: Implement Records Management Program
Outcome: Operationalize the Information Management Division

What does the measure tell us?
The records management program moves the department towards full compliance with the *Government Records Act* and the *Public Archives Act*. Full compliance means records will be managed as critical assets, regardless of their source or format and they will be managed so they support the coordinated information flows into and out of the department and intra and interdepartmental.

Where are we now?
In 2008-2009, the Department of Finance continued to operationalize its Information Management (IM) Division. Based on a joint assessment with Nova Scotia Archives and Records Management (NSARM), the Department of Finance's RM program was 87.7 per cent compliant with the corporate RM policy and program. This was a 68.7 per cent increase from the baseline year 2004.

Specific Outcomes include:

- Implemented approved STOR Development Project.
- Polices, procedures and standards were developed.
- Training and information was provided to Executive Management Team, Directors Forum, Information Policy Committee, and Records Designates.
- Data corrections were made as necessary to the data in the ERMS.
- The design and construction of the central registry was completed.
- An Information Management Clerk position was established, and four students were recruited for the Records Technician position for work terms.
- Participated in ongoing discussions about the corporate approach to Information Management, Records Management and the Corporate Electronic Records Management System (ERMS).

Where do we want to be in the future?

- Our target for this measure is to improve the joint assessment with NSARM by the end of 2009/2010.
- RM policy will be communicated to all staff and become a part of employee orientation.
- Central registry will be fully operational by 2011-12.
- All records will be managed according to STAR/STOR.
- Participate in the corporate FileNet project when launched.

Strategic Goal # 3: Maximize the efficiency and effectiveness of central client services

Core Business: Internal Audit Centre
Measure: Approved projects completed during the fiscal year
Outcome: Improved Audit advisory services to government departments

What does the measure tell us?
This measure helps indicate how well the Department is responding to internal audit needs across government.

Where are we now?
The Internal Audit Centre completed 21 approved projects in 2008/2009. In addition, we completed several risk assessments in the year that were carried over from the previous year. The Internal Audit Centre (IAC) completed a formal Internal Audit Plan for the year, a 5 year Business Plan was completed, and the Internal Audit Charter was updated. To support this business planning, the IAC has continued updating the policy and procedure manuals, and established a systematic risk assessment project to identify and rank the auditable areas for each department. In addition, performance measurements for the IAC were development and the IAC created an electronic customer satisfaction survey.

Where do we want to be in the future?
The Province is implementing an enterprise-wide risk assessment process to ensure that departments can identify, analyze and evaluate their risks. In addition, the Province is planning to implement an approach to assess the design and operating effectiveness of selected internal controls relative to significant accounts and relevant assertions, in the context of material misstatement risks.

Strategic Goal # 4: Continued investment in our people and workplace culture
Core Business: Policy and Planning
Measure: Staff participation in Foundation Development Plan
Outcome: Effective HR investments

What does the measure tell us?
This measure was designed to ensure that staff received the necessary training to fulfil the functions of their position.

Where are we now?
The Department has chosen to focus on developing an Orientation process and guide, as well as ensure staff participation in corporate and other training opportunities.

Where do we want to go?
As indicated in our 2009-2010 Business Plan, the Department is committed to ensuring that as part of the Performance Appraisal process, staff identifies career development needs. The Department will support career planning and skills development by providing support to staff training and professional development opportunities geared to meet identified needs. The Department will also be implementing a re-invigorated Orientation process for staff in 2009-2010.

Strategic Goal # 4: Continued investment in our people and workplace culture

Core Business: Policy and Planning

Measure: Proportion of staff receiving performance appraisals in compliance with corporate standards

Outcome: Effective HR investments

What does the measure tell us?

Performance appraisals (PA) are a core foundation of personnel and succession management. PAs help to identify the training and development needs of staff, as well as levels of job satisfaction. Training and development links the program needs of the department with the skills and expertise of staff, and help to build leadership and professional capacity. This measure will help ensure that the information needed for a successful personnel and succession management program for the department is collected.

Where are we now?

Bargaining Unit:

2008-2009 -The 2008-2009 completion rates will be provided in the 2009-2010 Accountability Report.
2007-2008 - 73%
2006-2007 - 91%
2005-2006 - 81%
2004-2005 - 40%

Non-Bargaining Unit

2008-2009 - The 2008-2009 completion rates will be provided in the 2009-2010 Accountability Report.
2007-2008 - 93%
2006-2007 - 91%
2005-2006 - 89%
2004-2005 - 91%

Where do we want to go?

The Department would like to ensure 100 per cent of staff receive annual performance appraisals.

Strategic Goal # 4: Continued investment in our people and workplace culture
Core Business: Policy and Planning
Measure: Number of vacancies as percentage of approved positions
Outcome: Reduced vacancy rate

What does the measure tell us?
The measure provides an indication of success in meeting recruitment and retention goals for the department. It is important to develop and retain staff for the longer-term objectives of the department. Staffing levels are a determining factor in achieving the business plans of the department and government, and for achieving divisional operational plans.

Where are we now?
The average vacancy rate for the fiscal year 2008-2009 varied ranged between 10 and 17 per cent.

Where do we want to go?
Given current fiscal pressures within the provincial government, the Department will be reviewing our staffing vacancies and requirements on a continuous basis to ensure that we continue to be able to provide expert advice and services in an efficient manner.